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FM AMEMBASSY ASUNCION
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7605
INFO RUCNMR/MERCOSUR COLLECTIVE PRIORITY
RUEHCV/AMEMBASSY CARACAS PRIORITY 0391

C O N F I D E N T I A L ASUNCION 000097

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STATE FOR WHA/BSC MDASCHBACH

E.O. 12958: DECL: 02/13/2029
TAGS: PREL ECON PGOV PA
SUBJECT: LUGO BACKS VENEZUELA'S ENTRY INTO MERCOSUR

REF: ASUNCION 721

Classified By: A/DCM Joan P. Shaker for reasons 1.4 (b) and (d).

¶1. (U) Paraguay's Vice Foreign Minister for Economic Affairs, Oscar Rodriguez Campuzano, said February 7 that President Fernando Lugo will prioritize Venezuela's entry into MERCOSUR during his tenure as president pro tempore, which began December 16. (NOTE: Paraguay and Brazil must approve Venezuela's application for full membership in MERCOSUR. END NOTE.) Rodriguez Campuzano said Paraguay would emphasize making MERCOSUR citizens protagonists in "integration policy." Paraguayan Parlasur delegates opined that Venezuela's admission would serve as an "economic counterweight" to Brazil.

¶2. (C) COMMENT: While Lugo may support Venezuela's entry into MERCOSUR, this pronouncement is not the end of the issue. The Lugo administration holds little influence over the divided Paraguayan Congress, in which no political party has a majority. Lugo's unsuccessful effort to call a special Senate session January 22 to fill a Supreme Court vacancy served as a wake-up call for Lugo to improve relations with Congress. Additionally, there appear to be strong "anti-bodies" in Paraguay against increased Venezuelan influence and activity.

For example, months after the actual events, the press continues to actively criticize two Venezuelan attempts to gain a foothold in Paraguay: Lugo's August signing of several treaties with Venezuela (reftel) and Venezuela's donation of USD 1 million to respond to droughts in Paraguay's Chaco region. Several senators have told Acting DCM that they strongly oppose Venezuela's efforts to join MERCOSUR and predict the issue will be a heated political battle in Congress. That said, if Brazil approves Venezuela's application, there will be increased pressure on Paraguay to follow suit. END COMMENT.

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